#### **DEPARTMENT OF FINANCE BILL ANALYSIS**

AMENDMENT DATE: April 28, 2011 BILL NUMBER: AB 864
POSITION: Neutral AUTHOR: J. Huffman

SPONSOR: California Large Energy Consumers RELATED BILLS: AB 1150 (Perez)

Association, Environment California

# **BILL SUMMARY: Electricity: Self-Generation Incentive Program**

Existing law authorizes the California Public Utilities Commission (PUC) to administer the Self Generation Incentive Plan (SGIP), a program providing rebates for distributed generation technologies through 2015. Currently, the incentive payment is capped at 3 megawatts (MW) of electricity generation.

This bill would amend the SGIP to allow industrial facilities to install an energy system up to 10 MW in size but would limit the incentive to not more than 5 MW of that energy system's electricity generating capacity.

### FISCAL SUMMARY

The PUC estimates costs associated with the bill are minor and absorbable within existing resources. The Department of Finance (Finance) concurs with this assessment.

Under Section 6(b) of Article XIII B of the California Constitution, any costs to a unit of local government which result from legislation defining a new crime or changing an existing definition of a crime are not reimbursable by the state. Therefore, any local government costs resulting from the mandate in this measure would not be state-reimbursable, because the mandate only involves the definition of a crime or the penalty for conviction of a crime.

## **COMMENTS**

Finance is neutral on this bill as it could increase the use of on-site clean energy technologies helping to reduce greenhouse gas emissions and reduce energy costs for large, industrial energy customers.

The bill would give large, industrial energy customers, such as cement plants, financial incentives to invest in on-site clean energy such as wind turbines. Current policies encouraging investment in localized power have excluded extremely large energy consumers by placing a cap on the size of the renewable energy project at one to three MW. The bill would amend the SGIP to allow industrial facilities to install an energy system of up to 10 MW. A 10 MW system is roughly equivalent to installing an average sized solar system on 2,500 homes.

The SGIP program was created in 2001 to promote the use of distributed generation resources, like fuel cells, and will sunset December 31, 2011. The program is administered by investor-owned utilities (IOU) and, in each of the last four years, provided \$83 million towards the installation of clean energy generation projects throughout the state. The SGIP is funded by a charge on all IOU ratepayers and is reflected in the distribution charge on utility bills.

(continued)

Analyst/Principal (0621) J. McGuinn	Date	Program Budget Manager Karen Finn	Date	
Department Deputy Di	rector	Date		
Governor's Office:	By:	Date:	Position Approved	
	•		Position Disapproved	
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)	

(2)

<b>BILL ANALYSIS/ENF</b>	Form DF-43		
AUTHOR	AMENDMENT DATE	BILL NUMBER	

J. Huffman April 28, 2011 AB 864

## **COMMENTS** (con't)

The SGIP program supports direct customer investment in distributed renewable energy generation. and promotes in-state clean energy manufacturing and investment. In addition, distributed generation reduces the need for costly transmission lines. The SGIP has incentivized commercial and industrial entities that have a relatively large carbon footprint to switch from running their operations on non-renewable energy to clean energy solutions manufactured in state. The Renewable Portfolio Standard was increased to 33 percent of energy from renewable sources by 2020 and the SGIP program helps to meet our greenhouse gas reduction targets. Amending the SGIP will encourage large energy customers to take advantage of the SGIP program.

AB 1150 (Perez) would authorize the PUC to collect an additional \$83 million in 2012 for the SGIP program.

	SO		(Fiscal Impact by Fiscal Year)				
Code/Department	LA		(Dollars in Thousands)				
Agency or Revenue	CO	PROP					Fund
Туре	RV	98	FC	2011-2012 FC	2012-2013 FC	2013-2014	Code
8660/PUC	SC	) No	No/Minor Fiscal Impact		0462		
Fund Code	<u>Γitle</u>						
		Comm	tilition	Doimh Acat			

0462 Publ Utilities Comm Utilities Reimb Acct